



House of Commons

Financial Statements

For The Year Ended

March 31, 2006



House of Commons

TABLE OF CONTENTS



Statement of Management Responsibility	3
Auditors' Report to the Clerk of the House of Commons	5
Statement of Operations	6
Statement of Financial Position	7
Statement of Equity of Canada	8
Statement of Cash Flow	9
Notes to the Financial Statements	10 to 25



House of Commons

STATEMENT OF MANAGEMENT RESPONSIBILITY

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2006 and all information contained in these statements rests with House of Commons management.

These financial statements have been prepared by management in accordance with accounting policies generally applied to the Government of Canada and approved by the Board of Internal Economy, based on generally accepted accounting principles for the public sector, using management's best estimates and judgements where appropriate and giving due consideration to materiality. Financial information submitted to the Public Accounts of Canada is consistent with these financial statements.

Management has developed and maintains books, records, internal controls and management practices designed to provide reasonable assurance that the financial information is reliable and that the House of Commons assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of House of Commons objectives, and that transactions are in accordance with accepted Government of Canada accounting policies and House policies and statutory requirements.

In addition, management is responsible for administering the portion of the Pension Plan for Members of Parliament relating to the House of Commons and for keeping the records of its portion of the Members of Parliament Retiring Allowance and Compensation Arrangements Accounts. In addition, a large part of the day-to-day administration of the House of Commons portion of the Pension



House of Commons

STATEMENT OF MANAGEMENT RESPONSIBILITY (CONTINUED)

Plan for Members of Parliament is discharged by Public Works and Government Services Canada under a Memorandum of Understanding established many years ago.

At the request of management, these financial statements have been audited by KPMG.

*On behalf of the House of Commons,
on the 22 day of June, 2006.*

The Clerk

Director General, Corporate Services

Director General, Finance and Human Resources



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Auditors' Report to the Clerk of the House of Commons:

We have audited the statements of Financial Position and Equity of Canada of the House of Commons as at March 31, 2006 and the statements of Operations and Cash Flow for the year then ended. These financial statements have been prepared to comply with the accounting policies generally applied to the Government of Canada and approved by the Board of Internal Economy of the House of Commons. The significant accounting policies are disclosed in note 2 to the financial statements. These financial statements are the responsibility of the management of the House of Commons. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In the previous year, our audit opinion was qualified as a result of a scope limitation resulting from the inability to satisfactorily verify the completeness, existence and accuracy of expenses, consisting of \$133,985,608 of constituency expenses and \$12,127,378 of caucus expenses. These expenses were not subject to our audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to constituency and caucus expenses, Members' advances, accounts payable and accrued liabilities, net cost of operations for the year and net liabilities. In the current year, these expenses were subject to audit procedures, which enabled us to satisfactorily verify the completeness, existence and accuracy of these expenses.

In our opinion, these financial statements present fairly, in all material respects, the financial position and Equity of Canada of the House of Commons as at March 31, 2006 and the net cost of its operations and its cash flow for the year then ended in accordance with the accounting policies as described in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the management of the House of Commons, the Board of Internal Economy and the Treasury Board of Canada Secretariat. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

KPMG LLP

Chartered Accountants

Ottawa, Canada
June 22, 2006



House of Commons

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31

EXPENSES (NOTE 5)	2006	2005
		<i>(restated—note 3)</i>
House Administration	\$208,492,802	\$196,951,040
Members and House Officers	230,303,560	230,150,812
Total expenses	\$438,796,362	\$427,101,852
NON-TAX REVENUES (NOTE 6)		
House Administration	\$2,769,826	\$2,619,484
Members and House Officers	71,745	9,760
Total non-tax revenues	\$2,841,571	\$2,629,244
NET COST OF OPERATIONS	\$435,954,791	\$424,472,608

The accompanying notes form an integral part of these financial statements



House of Commons

STATEMENT OF FINANCIAL POSITION
AT MARCH 31

ASSETS	2006	2005 <i>(restated—note 3)</i>
Financial assets		
Cash	\$554,852	\$320,715
Accounts receivable <i>(Note 7)</i>	18,839,534	16,362,779
Inventory for resale — Food Services	137,638	124,105
Advances <i>(Note 8)</i>	353,742	400,265
Total financial assets	\$19,885,766	\$17,207,864
Non-financial assets		
Prepaid expenses	\$12,502	\$155,784
Inventories of consumable supplies	2,474,503	1,450,318
Tangible capital assets <i>(Note 9)</i>	15,067,460	17,047,055
Total non-financial assets	\$17,554,465	\$18,653,157
TOTAL	\$37,440,231	\$35,861,021
LIABILITIES		
Accounts payable and accrued liabilities	\$22,030,446	\$21,929,500
Vacation pay and compensatory leave	6,364,731	6,496,994
Lease obligation for tangible capital assets <i>(Note 10)</i>	1,932,981	2,784,576
Employee severance benefits <i>(Note 11b)</i>	34,780,653	30,988,264
Members' pension accounts <i>(Note 12)</i>	513,929,932	474,785,042
Total liabilities	\$579,038,743	\$536,984,376
Equity of Canada	(\$541,598,512)	(\$501,123,355)
TOTAL	\$37,440,231	\$35,861,021
Contingent liabilities <i>(Note 13)</i>		
Contractual obligations <i>(Note 14)</i>		

The accompanying notes form an integral part of these financial statements



House of Commons

STATEMENT OF EQUITY OF CANADA
AT MARCH 31

	2006	2005
		<i>(restated—note 3)</i>
Equity of Canada, beginning of year	(\$501,123,355)	(\$452,825,460)
Net cost of operations	(435,954,791)	(424,472,608)
Current year appropriations used <i>(Note 4a)</i>	375,662,363	366,702,963
Change in net position in the Consolidated Revenue Fund <i>(Note 4c)</i>	(37,067,301)	(44,176,945)
Services provided without charge from other government departments <i>(Note 15a)</i>	56,884,572	53,648,695
Equity of Canada, end of year	(\$541,598,512)	(\$501,123,355)

The accompanying notes form an integral part of these financial statements



House of Commons

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31

OPERATING ACTIVITIES	2006	2005
		<i>(restated—note 3)</i>
Net cost of operations	\$435,954,791	\$424,472,608
Non-cash items:		
Amortization of tangible capital assets	(5,399,512)	(5,204,882)
Net gain (loss) on disposal of tangible capital assets	72,270	(278,892)
Services provided without charge	(56,884,572)	(53,648,695)
Variations in statement of financial position:		
Accounts receivable and advances	2,430,232	587,498
Prepaid expenses	(143,282)	138,222
Inventory	1,037,718	(219,183)
Liabilities	(42,054,367)	(46,625,901)
Cash used by operating activities	\$335,013,278	\$319,220,775
CAPITAL INVESTMENT ACTIVITIES		
Acquisition of tangible capital assets	\$3,496,523	\$3,585,150
Proceeds from disposal of tangible capital assets	(148,876)	(93,975)
Cash used by capital investment activities	\$3,347,647	\$3,491,175
FINANCING ACTIVITIES		
Net cash provided by Government of Canada	(\$338,595,062)	(\$322,526,018)
NET CASH PROVIDED (USED)	(\$234,137)	\$185,932
CASH, BEGINNING OF YEAR	\$320,715	\$506,647
CASH, END OF YEAR	\$554,852	\$320,715

The accompanying notes form an integral part of these financial statements



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 1 — AUTHORITY AND OBJECTIVES

The powers of the House of Commons derive essentially from the *Constitution Act, 1867* and from the *Parliament of Canada Act*.

The mandate of the House Administration is to support Members by providing the infrastructure, services and advice they need to carry out their work as legislators and representatives in the Chamber, in committee, in caucus, in their Parliament Hill offices and in their constituencies.

The Board of Internal Economy is the governing body of the House of Commons and oversees its financial management and administration on behalf of the Members and Canadians. It is chaired by the Speaker and composed of Members representing all recognized parties.

The Clerk of the House of Commons is the Secretary to the Board and, as the senior official of the Administration, reports to the Speaker. The Administration comprises these five services which employ the equivalent of 1,685 full-time workers reporting to the Clerk: Procedural Services, the Office of the Law Clerk and Parliamentary Counsel, Information Services, Parliamentary Precinct Services and Corporate Services.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) The financial statements of the House of Commons have been prepared on an accrual basis of accounting in accordance with accounting policies generally applied to the Government of Canada and approved by the Board of Internal Economy, based on Canadian generally accepted accounting principles for the public sector.
- b) Parliamentary appropriations — The House of Commons is financed by the Government of Canada through parliamentary appropriations. Appropriations provided to the House of Commons do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 4 provides a high-level reconciliation between the bases of reporting.
- c) Net cash provided by government — The House of Commons operates within the Consolidated Revenue Fund (CRF) except for the day-to-day operations of the Food Services, which has its own bank accounts. The CRF is administered by the Receiver General for Canada. All cash received by the House of Commons is deposited to the CRF and all cash disbursements made by the House of Commons are paid from the CRF. Net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions between the House of Commons and federal departments.



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

- d) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.
- e) Non-tax revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- f) Expenses are recorded when the underlying transaction or expense occurred, subject to the following:
- Transfer payments are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
 - Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
 - Services provided without charge by other government departments for accommodation; the employer's contribution to the health and dental insurance plans; and the Worker's Compensation Boards and Commissions administrative charges are recorded as operating expenses at their estimated cost.
- g) Employee future benefits
- i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. The House of Commons' contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the House to make contributions for any actuarial deficiencies of the Plan.
- ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.
- h) Members of Parliament pension accounts: A large part of the day-to-day administration of the House of Commons portion of the Members of Parliament pension plan is discharged by Public Works and Government Services Canada. The House of Commons' contributions to the Plan, including any annual actuarial adjustment, are charged to expenses in the year incurred.



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

- i) Accounts receivable and advances are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.
- j) Contingent liabilities — Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- k) Inventory for resale — Food Services — Are items in the canteens, cafeterias and in the Parliamentary Restaurant and are valued at the lower of cost or net realizable value, the cost being determined using the first in, first out (FIFO) method.
- l) Inventories of consumable supplies of \$50,000 and over — These are valued at the lower of cost or net realizable value, the cost being determined using the average cost method for office supplies included in the perpetual inventory system, and using the FIFO method for other inventory items.
- m) Foreign currency transactions — Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions.
- n) Tangible capital assets — Capital assets and leasehold improvements having a cost of \$10,000 or more are recorded at their acquisition cost. The House of Commons does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset, as follows:

Asset Class	Amortization Period
Motor vehicles	5 and 7 years
Machinery and equipment	7 to 10 years
Other equipment	5 to 10 years
Informatics hardware	3 years
Software and licenses	3 years
Leased tangible capital assets - Motor vehicles	5 and 7 years (or the duration of the lease based on the terms of the contract if less)
Leased tangible capital assets - Machinery and equipment	5 to 10 years
Leasehold improvements	The lesser of 10 years or the term of the lease plus a renewal period



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

- o) Measurement uncertainty — The preparation of these financial statements in accordance with Government of Canada accounting policies which are based on generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, non-tax revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

NOTE 3 — CHANGE IN ACCOUNTING POLICIES

- a) Severance pay: The financial statements of the prior period have been restated to conform to new Treasury Board accounting policies issued in 2005-06. The liability for employee severance benefits is now recorded in the House of Commons's accounts and financial statements. The new recommendations have been applied retroactively, with restatement, and have increased net cost of operations and employee severance benefits liability by **\$2,982,155** and **\$30,988,264**, respectively, and have decreased the opening balance of the Equity of Canada by **\$28,006,109** for the year ended March 31, 2005 (note 11b).
- b) Services provided without charge: The financial statements of the prior period have been restated to conform to new Treasury Board accounting policies issued in 2005-06. The services provided without charge are now recorded in the House of Commons's financial statements. The new recommendations have been applied retroactively, with restatement, and have resulted in an increase of **\$53,648,695** in net cost of operations and the inclusion of the same amount for services provided without charge in the statement of Equity of Canada for the year ended March 31, 2005 (note 15a).

NOTE 4 — PARLIAMENTARY APPROPRIATIONS

The House of Commons receives most of its funding through annual parliamentary appropriations. Items recognized in the statements of Operations and Financial Position in one year may be funded through parliamentary appropriations in prior, current or future years. Accordingly, the House of Commons has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 4A) RECONCILIATION OF NET COST OF OPERATIONS TO CURRENT YEAR APPROPRIATIONS USED

	2006	2005
		<i>(restated—note 3)</i>
NET COST OF OPERATIONS	\$435,954,791	\$424,472,608
Adjustment for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(5,399,512)	(5,204,882)
Services provided without charge	(56,884,572)	(53,648,695)
Provision — severance benefits	(3,792,389)	(2,982,155)
Inventory used	(3,876,084)	(5,480,702)
Refunds of prior year expenditures	164,434	94,597
Adjustment of prior year payables	88,971	216,969
Gain on disposal of tangible capital assets	102,235	48,467
Miscellaneous non-tax revenues	73,561	6,492
Authority to charge user fees	101,784	132,460
Authority to spend funds collected	(1,281,861)	(1,127,830)
Authority to transfer surplus funds (respendable revenues) from sales — Food Services	961,240	894,903
Balance of sales — Food Services	1,602,751	1,546,921
Vacation pay and compensatory leave	132,262	942,515
Bad debt expense	0	(2,525)
Expensing prepaids	(2,021)	(17,562)
Loss on disposal of tangible capital assets	(29,964)	(327,359)
Operating expenses — Food Services	(334,018)	(454,919)
Adjustments to tangible capital assets	223,182	180,370
Sub-total	\$367,804,790	\$359,289,673
Adjustment for items not affecting net cost of operations but affecting appropriations:		
Add (Less):		
Tangible capital asset lease principal payments	723,436	678,539
Inventory purchased — consumable supplies	3,749,628	4,178,420
Tangible capital asset acquisitions	3,379,420	2,554,310
Prepaid expenses	5,089	2,021
CURRENT YEAR APPROPRIATIONS USED	\$375,662,363	\$366,702,963



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 4B) APPROPRIATIONS PROVIDED AND USED

	APPROPRIATIONS PROVIDED	
	2006	2005
Vote 5 — Operating expenditures	\$258,897,541	\$242,521,662
Statutory amounts	137,784,506	137,907,125
Less:		
Lapsed appropriations: Operating	(21,019,684)	(13,725,824)
CURRENT YEAR APPROPRIATIONS USED	\$375,662,363	\$366,702,963

NOTE 4C) RECONCILIATION OF NET CASH PROVIDED BY GOVERNMENT TO CURRENT YEAR APPROPRIATIONS USED

	2006	2005
NET CASH PROVIDED BY GOVERNMENT	\$338,595,062	\$322,526,018
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(2,430,232)	(587,498)
Variation in accounts payable and accrued liabilities	100,946	3,591,995
Variation in Members' pension accounts	39,144,889	40,880,408
Other adjustments	<u>251,698</u>	<u>292,040</u>
Sub-total	37,067,301	44,176,945
CURRENT YEAR APPROPRIATIONS USED	\$375,662,363	\$366,702,963



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 5 - EXPENSES

	2006	2005 <i>(restated—note 3)</i>
<i>Operating</i>		
Personnel	\$293,752,382	\$282,291,412
Operating and maintenance	137,575,711	136,432,066
Amortization of tangible capital assets	5,399,512	5,204,882
Food Services — cost of sales	1,150,641	1,091,090
Interest portion on leased tangible capital assets	60,047	117,238
Loss on disposal of tangible capital assets	29,964	327,359
Consumable inventory write-offs	0	32,871
Bad debt allowance	0	2,525
Other	55	263
Sub-total	\$437,968,312	\$425,499,706
<i>Transfer payments</i>		
International	828,050	1,602,146
Total expenses	\$438,796,362	\$427,101,852

NOTE 6 - NON-TAX REVENUES

	2006	2005
Food Services — sales	\$2,563,991	\$2,441,825
Room allocation fees	54,203	60,211
Membership fees — Parliamentary Associations	9,427	33,350
Gymnasium fees	14,500	15,800
Recycled paper	1,112	15,097
Miscellaneous	96,103	14,494
Gain on disposal of tangible capital assets	102,235	48,467
Total non-tax revenues	\$2,841,571	\$2,629,244



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 7 — ACCOUNTS RECEIVABLE	2006	2005
ACCOUNTS RECEIVABLE		
From other federal government departments (OGD):		
• Interest receivable from Treasury Board — Members pension accounts (4th quarter)	\$12,808,690	\$11,753,364
• Other receivables	5,515,189	3,918,716
From external parties	525,655	700,699
Sub-total	\$18,849,534	\$16,372,779
ALLOWANCE FOR DOUBTFUL ACCOUNTS ON EXTERNAL RECEIVABLES	(10,000)	(10,000)
TOTAL	\$18,839,534	\$16,362,779

NOTE 8 — ADVANCES	2006	2005
Employee travel and salary advances	\$19,470	\$79,650
Employee petty cash, House post office floats and Food Services cash floats	38,575	36,825
Postage related advances	18,690	18,690
Members' petty cash for office expenses	277,007	265,100
TOTAL	\$353,742	\$400,265



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 9 — TANGIBLE CAPITAL ASSETS



Capital asset class	COST — CURRENT YEAR			
	Opening balance	Acquisitions	Disposals and adjustments	Closing balance
Owned				
Motor vehicles	\$481,074	\$0	\$(276,113)	\$204,961
Machinery and equipment	5,007,679	877,433	(53,570)	5,831,542
Other equipment	3,871,347	263,756	(319,848)	3,815,255
Informatics hardware	7,539,792	1,267,040	(1,297,188)	7,509,644
Software and licenses	8,759,828	37,570	0	8,797,398
Work in progress	393,023	421,851	(87,392)	727,482
Sub-total	\$26,052,743	\$2,867,650	\$(2,034,111)	\$26,886,282
Leased				
Motor vehicles	\$389,106	\$0	\$(389,106)	\$0
Machinery and equipment	4,593,536	405,423	(267,281)	4,731,678
Sub-total	\$4,982,642	\$405,423	\$(656,387)	\$4,731,678
Leasehold improvements	\$4,846,576	\$730,388	\$0	\$5,576,964
TOTAL	\$35,881,961	\$4,003,461	\$(2,690,498)	\$37,194,924



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 9 — TANGIBLE CAPITAL ASSETS (CONTINUED)



Capital asset class	ACCUMULATED AMORTIZATION— CURRENT YEAR				NET BOOK VALUE	
	Opening balance	Amortization	Disposals and adjustments	Closing balance	2006	2005
Owned						
Motor vehicles	\$383,358	\$(11,133)*	\$(269,590)	\$102,635	\$102,326	\$97,716
Machinery and equipment	2,518,050	601,081	(34,587)	3,084,544	2,746,998	2,489,628
Other equipment	2,400,764	459,266	(316,855)	2,543,175	1,272,080	1,470,584
Informatics hardware	5,379,712	1,056,183	(1,234,535)	5,201,360	2,308,284	2,160,080
Software and licenses	4,449,102	2,089,928	0	6,539,030	2,258,368	4,310,726
Work in progress	0	0	0	0	727,482	393,023
Sub-total	\$15,130,986	\$4,195,325	\$(1,855,567)	\$17,470,744	\$9,415,538	\$10,921,757
Leased						
Motor vehicles	\$28,890	\$0	\$(28,890)	\$0	\$0	\$360,216
Machinery and equipment	2,370,941	719,529	(222,497)	2,867,973	1,863,705	2,222,595
Sub-total	\$2,399,831	\$719,529	\$(251,387)	\$2,867,973	\$1,863,705	\$2,582,811
Leasehold improvements	\$1,304,089	\$484,658	\$0	\$1,788,747	\$3,788,217	\$3,542,487
TOTAL	\$18,834,906	\$5,399,512	\$(2,106,954)	\$22,127,464	\$15,067,460	\$17,047,055

Amortization expense for the year ended March 31, 2006 is \$5,399,512 (2005: \$5,204,882)

* The amortization on motor vehicles consists of \$49,508 in current year amortization and \$60,641 of adjustments relating to the prior year.



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 10 — LEASE OBLIGATION FOR TANGIBLE CAPITAL ASSETS

	2006	2005
a) Balance owing		
Machinery and equipment	\$1,932,981	\$2,533,321
Motor vehicles	0	251,255
TOTAL	\$1,932,981	\$2,784,576

b) Capital portion	2006
Minimum lease payments:	
(2006-2007)	\$747,956
(2007-2008)	729,781
(2008-2009)	402,475
(2009-2010)	120,459
(2010-2011) and thereafter	10,655
Sub-total	\$2,011,326
Less: imputed interest	(78,345)
BALANCE OF OBLIGATIONS UNDER LEASED TANGIBLE CAPITAL ASSETS	\$1,932,981



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 11 — EMPLOYEE BENEFITS

- a) Pension benefits: employees of the House of Commons participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the House of Commons contribute to the cost of the Plan. The 2005-06 expense amounts to **\$28,286,567** (**\$26,956,214** in 2004-05), which represents approximately 2.6 times the contributions by employees.

The responsibility of the House of Commons with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

- b) Severance benefits: the House of Commons provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	<i>2006</i>	<i>2005</i>
Employee severance benefits liability,		
beginning of year	\$30,988,264	\$28,006,109
Expense for the year	9,472,996	8,740,641
Benefits paid during the year	(5,680,607)	(5,758,486)
Employee severance benefits liability,		
end of year	\$34,780,653	\$30,988,264



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 12 — MEMBERS' PENSION ACCOUNTS *

	2006	2005
MPRA - House of Commons	\$390,137,270	\$363,446,329
RCA - House of Commons	\$236,328,275	\$207,441,755
Refundable tax remitted to CRA	<u>(112,535,613)</u>	<u>(96,103,042)</u>
Total RCA	\$123,792,662	\$111,338,713
TOTAL	\$513,929,932	\$474,785,042

* Please note that the above figures pertain only to the House of Commons

Members of Parliament Retiring Allowances Account (MPRA)

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the House of Commons or of the Senate. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

Members of Parliament Retirement Compensation Arrangements Account (RCA)

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members.

Refundable tax remitted to CRA

Transactions pertaining to the RCA, such as contributions, benefits and interest credits, are recorded in the RCA Account, which is maintained in the Accounts of Canada. The RCA Account earns interest quarterly and is registered with the Canada Revenue Agency (CRA). Annually, depending on the net cash flow position of the Account, a transfer is made between the RCA Account and CRA to either remit a 50 percent refundable tax in respect of the net contributions and interest credits, or to receive a reimbursement based on their net benefit payments.

Actuarial deficit adjustment

An actuarial review of the Members of Parliament Retirement Compensation Arrangements Account was conducted by the Chief Actuary of the Office of the Superintendent of Financial Institutions. It was determined that an actuarial adjustment of \$5.7 million be credited to the Account starting with the 2005-06 fiscal year (\$9.373 million in 2004-05) and continue each year for the next six years to eliminate the deficit in the Pension Account. This annual adjustment is included within the House of Commons portion of the RCA and is subject to change based on future reviews.



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 13 — CONTINGENT LIABILITIES

In the normal course of its operations, the House of Commons may become involved in various legal actions. As of March 31, 2006, management is not aware of any claims or possible claims against the House of Commons.

NOTE 14 — CONTRACTUAL OBLIGATIONS

The nature of the House of Commons' activities result in some large multi-year contracts and obligations whereby the House will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are as follows:

	2006-07	2007-08	2008-09	2009-10	2010-11 & thereafter	Total
Members' Constituency						
Office Leases	\$6,889,700	\$7,199,700	\$7,523,700	\$7,862,300	\$8,216,100	\$37,691,500
Members' & House Equipment	1,260,800	1,317,500	1,376,800	1,438,800	1,503,500	6,897,400
Vehicles	149,400	149,400	151,500	159,400	166,500	776,200
TOTAL	\$8,299,900	\$8,666,600	\$9,052,000	\$9,460,500	\$9,886,100	\$45,365,100



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 15 — RELATED PARTY TRANSACTIONS

The House of Commons is related, as a result of common ownership, to all Government of Canada departments, agencies, and Crown corporations. The House of Commons enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the House of Commons received services which were obtained without charge from other government departments as presented in part a).

a) Services provided without charge

During the year, the House of Commons received without charge from other departments, accommodation, the employer's contribution to the health and dental insurance plans as well as the Worker's Compensation Boards' and Commissions' administrative charges. These services without charge have been recorded in the House of Commons' Statement of Operations as follows:

	<i>2006</i>	<i>2005</i>
Accommodation provided by Public Works and Government Services Canada	\$42,650,900	\$40,227,995
Contributions covering employer's share of employees' premiums for the health & dental insurance plans and cost paid by Treasury Board Secretariat	\$13,771,954	\$12,962,828
Administrative charges related to the handling of claims paid by Human Resources and Social Development Canada to Provincial Workers' Compensation Boards and Commissions	<u>\$461,718</u>	<u>\$457,872</u>
Total	<u>\$56,884,572</u>	<u>\$53,648,695</u>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these activities on behalf of all without charge. The cost of these services, which include translation and interpretation services provided by Public Works and Government Services Canada and postage services provided by Canada Post, are not included as an expense in the House of Commons' Statement of Operations.

b) Payables and receivables outstanding at year-end with related parties:

	<i>2006</i>	<i>2005</i>
Accounts receivable with other government departments and agencies	\$18,323,879	\$15,672,080
Accounts payable to other government departments and agencies	\$851,914	\$581,472



House of Commons

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

NOTE 16 — COMPARATIVE INFORMATION

Comparative figures have been reclassified to conform to the current year's presentation.

